

Social protection systems

in **Latin America
and the Caribbean**

Chile

Claudia Robles Farías



UNITED NATIONS



Federal Ministry
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Social protection systems in Latin America and the Caribbean: Chile

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This document was prepared by Claudia Robles, consultant with the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), and is part of the series of studies on "Social Protection Systems in Latin America and the Caribbean", edited by Simone Cecchini, Social Affairs Officer, and Claudia Robles. Luna Gámez and Daniela Huneeus, consultants, provided editorial assistance.

The document was produced as part of the activities of the projects "Strengthening social protection" (ROA/149-7) and "Strengthening regional knowledge networks to promote the effective implementation of the United Nations development agenda and to assess progress" (ROA 161-7), financed by the United Nations Development Account.

Printing of this publication was made possible by the contribution of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Federal Ministry of Economic Cooperation and Development of Germany (BMZ), in the framework of the project "Social covenant for more inclusive social protection" of the ECLAC/BMZ-GIZ cooperation programme "Promoting low-carbon development and social cohesion in Latin America and the Caribbean" (GER/12/006).

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Foreword

Simone Cecchini
Claudia Robles

This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing of the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Given that, in 2011, 174 million Latin Americans were living in poverty —73 million of which in extreme poverty— and that the region continues being characterized by an extremely unequal income distribution (ECLAC, 2012), the case studies place particular emphasis on the inclusion of the poor and vulnerable population into social protection systems, as well as on the distributional impact of social protection policies.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. While social protection can be geared to meeting the specific needs of certain population groups —including people living in poverty or extreme poverty and highly vulnerable groups such as indigenous peoples—, it must be available to all citizens. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population, which are laid out in a series of national and international legal instruments, such as the United Nations' 1948 Universal Declaration of Human Rights or the 1966 International Covenant on Economic, Social and Cultural Rights (ICESCR). These normative instruments recognize the rights to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

The responsibility of guaranteeing such rights lies primarily with the State, which has to play a leading role in social protection —for it to be seen as a right and not a privilege—, in collaboration with three other major stakeholders: families, the market and social and community organizations. Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of developing countries' efforts to establish these guarantees, by implementing various types of transfers, including conditional cash transfer programmes

and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions (Cecchini and Martínez, 2011).

Social protection is central to social policy but is distinctive in terms of the social problems it addresses. Consequently, it does not cover all the areas of social policy, but rather it is one of its components, together with sectoral policies —such as health, education or housing— and social promotion policies —such as training, labour intermediation, promotion of production, financing and technical assistance to micro— and small enterprises. While sectoral policies are concerned with the delivery of social services that aim at enhancing human development, and promotion policies with capacity building for the improvement of people’s autonomous income generation, social protection aims at providing a basic level of economic and social welfare to all members of society. In particular, social protection should ensure a level of welfare sufficient to maintain a minimum quality of life for people’s development; facilitate access to social services; and secure decent work (Cecchini and Martínez, 2011).

Accordingly, the national case studies characterize two major components of social protection systems —non-contributory (traditionally known as “social assistance”, which can include both universal and targeted measures) and contributory social protection (or “social security”). The case studies also discuss employment policies as well as social sectors such as education, health and housing, as their comprehension is needed to understand the challenges for people’s access to those sectors in each country.

Furthermore, the case studies include a brief overview of socio-economic and development trends, with a particular focus on poverty and inequality. At this regard, we wish to note that the statistics presented in the case studies —be they on poverty, inequality, employment or social expenditure— do not necessarily correspond to official data validated by the Economic Commission for Latin America and the Caribbean (ECLAC).

I. Introduction: historical context for social protection policies in Chile¹

Chile has a longstanding history of implementing social policies. The country was a pioneer in Latin America in expanding the coverage to free health and education services. Furthermore, Chile implemented quite early social security policies for wage-earners and formal workers within urban areas.

In 1924, the Mandatory Workers Insurance Fund (*Caja del Seguro Obrero Obligatorio*) was created. By mid 1950s, there were already three funds in place providing social security to the majority of independent professionals, two funds for the armed forces and the police, and a series of particular regimes covering diverse sectors of wage earners. Also, during the second half of the 20th century, various policies were implemented in the area of maternal and children healthcare. This explains the drastic reduction in infant mortality and undernourishment rates experienced by the country (Jiménez de la Jara, 2001).

The National Supplementary Food Programme (*Programa Nacional de Alimentación Complementaria*, PNAC), providing milk to women with children attending health centers, was created in 1954. In 1958, the School Feeding Programme (*Programa de Alimentación Escolar*), which provided up to three meals for children living in extreme poverty who regularly attended school, began to be implemented by the National Institute for School Assistance (*Junta Nacional de Auxilio Escolar y Becas*, JUNAEB).

During the 1980s, Chile went through severe structural reforms of the economy and the social sector. These were accompanied by an emphasis in privatizing social services of health and education, and by a considerable decrease in social spending.² The administration of a considerable number of public health institutions providing attention at the local level, as well as of public schools, was transferred from the central level to municipalities.

Concerning poverty reduction policies, during the 1970s and 1980s, these followed strict targeting criteria in order to assign subsidies and transfers to the poorest and most vulnerable groups in the country. Within these policies, the priority was given to maternal and child healthcare and nutrition,

¹ This document is based on Robles (2011).

² According to joint research by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank for the period 1980-1987, and data from the Direction of Budget Affairs (*Dirección de Presupuesto*) for the period 1988-1997, public social spending as a percentage of GDP fell from 23.2% in 1982 to 12.9% in 1989 (Mostajo, 2000). These figures are not entirely comparable to those presented in section 2.

as well as access to primary education. New subsidies focused on the poorest families were created, such as the Mental Disability Assistance Benefit (*Subsidio a la Discapacidad Mental*) in 1975 and the Family Allowance (*Subsidio Único Familiar*, SUF) in 1981. Subsidies in the areas of housing, education and health were also introduced as part of the efforts to activate the demand for social services. Moreover, in the context of an acute economic crisis and mounting unemployment that hit the country between 1983 and 1984, emergency employment programmes and public works were also developed —such as the Minimum Employment Programme (*Programa de Empleo Mínimo*, PEM) and the Occupational Programme for Head of Households (*Programa Ocupacional de Jefes de Hogar*, POJH).

Regarding social security, the pay as you go system was replaced in 1981 by a substitutive model of individual capitalization. As part of the reform to the pension system, private pension fund managers (*Administradoras de Fondos de Pensiones*, AFP) were created. Public pensions were only kept for a remaining 4% of the population. The population that did not access a minimum income after 20 years of contributions, could access a minimum guaranteed pension insurance —*Garantía Estatal de Pensión Mínima* (GEPM). The Social Pension Programme (*Programa de Pensiones Asistenciales*, PASIS) was created in 1975 to extend the coverage of social security to the unprotected. However, the PASIS covered a very limited part of the population and represented a very low income amount, equivalent to 40.7% of the GEPM (Mesa-Lago, 2004).

After 17 years of dictatorship (1973-1990), the first democratic government led by President Aylwin, as well as the subsequent governments of President Frei and Lagos, introduced various reforms to social policy. These included the improvement of the social network of services, increasing social investment and better targeting. New actors were included as subjects of social policy, including youth, women and indigenous peoples, as well as new issues, such as public security, access to justice and gender equality.

During the past decade, several reforms were introduced to health, social security and poverty reduction policies. Since then, social protection strategies have become a central pillar of the social policy efforts in Chile, with a double direction towards the increasing specialization of policies for groups and their needs and the definition of a more comprehensive strategy for protecting the whole of the population against different risks. These efforts have continued until the present, including institutional and social policy reforms of various kinds in order to improve the system. Thus, for example, in 2011 the Ministry of Social Development was created —replacing the former Ministry of Planning (*Ministerio de Planificación*, MIDEPLAN). This reform aimed to improve the efficiency and efficacy of poverty-reduction and social development policies. Also, a new cash transfer programme has been implemented since 2011 —the Family Allowance— as a further effort to eradicate extreme poverty from the country.

II. Chile: main economic and social indicators

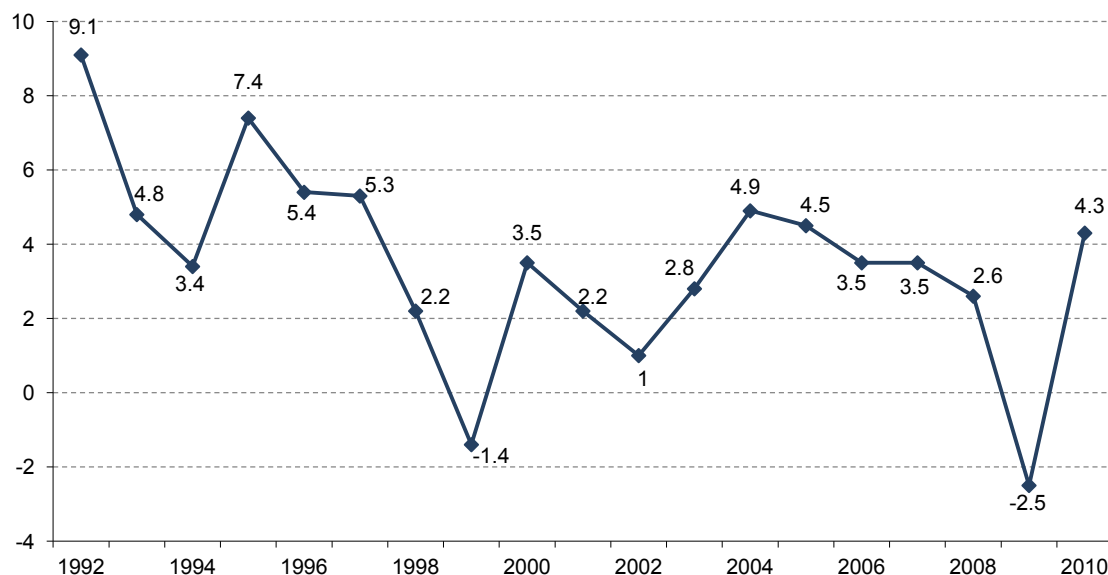
A. Performance of the economy and the labour sector

Over the past two decades, Chile has kept a steady political and economic stability. Gross domestic product (GDP) has shown a rising direction and inflation has been kept low. Nevertheless, the economic crises occurred between 1988 and 1999, and again between 2008 and 2009, have had an impact on the Chilean economy and peoples' welfare. This may be seen, for example, in the variation of the per capita GDP growth rate: as figure 1 shows this has fallen precisely at times of economic crisis —between 1997 and 1999, and 2008 and 2009. The negative consequences of economic crisis have been reflected in the unemployment rates that have increased along the two periods mentioned above (see figure 2).

Despite the variable level of unemployment in the country —ranging from 7% to 10% of the economically active population—, Chile has been successful in reducing poverty and extreme poverty since the early 1990s. Poverty incidence, for example, has fallen from 38.6% in 1990 to 11.5% in 2009,³ according to ECLAC, even though extreme poverty experienced a slight increase between 2006 and 2009 (see figure 3).

³ Since 1985, poverty and extreme poverty rates are calculated using information from the National Socio-economic Characterization Survey (*Encuesta de Caracterización Socioeconómica*, CASEN). Until 2007, poverty and extreme poverty lines were built by ECLAC using the same price deflator. However, due to the different evolution of food and non-food prices, different deflators began to be used to estimate poverty and extreme poverty rates since 2007. Hence, in the case of Chile, the extreme poverty line is updated based on the variation of the Consumer Price Index (CPI) on food items, while the section of the poverty line that corresponds to spending made on non-food goods and services is updated through the CPI relative to those items. Since MIDEPLAN —currently, Ministry of Social Affairs— continued estimating poverty rates according to the variations in the prices of food items, in 2009 the official estimation of poverty and extreme poverty rates did not coincide with the estimations provided by ECLAC. According to MIDEPLAN's official estimates for 2009, poverty increased in Chile to 15.1% [online] <http://www.eclac.org/cgi-bin/getProd.asp?xml=/prensa/noticias/comunicados/1/41821/P41821.xml&xsl=/prensa/tpl/p6f.xsl&base=/dmaah/tpl/top-bottom.xslt>.

FIGURE 1
EVOLUTION OF THE GROWTH RATE OF PER CAPITA GDP, 1992-2010^a
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) *Preliminary Overview of the Economies of Latin America and the Caribbean 2010*, 2010a.

^a Data for the 1992–2000 period are in constant 1995 US dollars and for the 2001–2010 period, in 2000 US dollars. Figures for 2010 are preliminary.

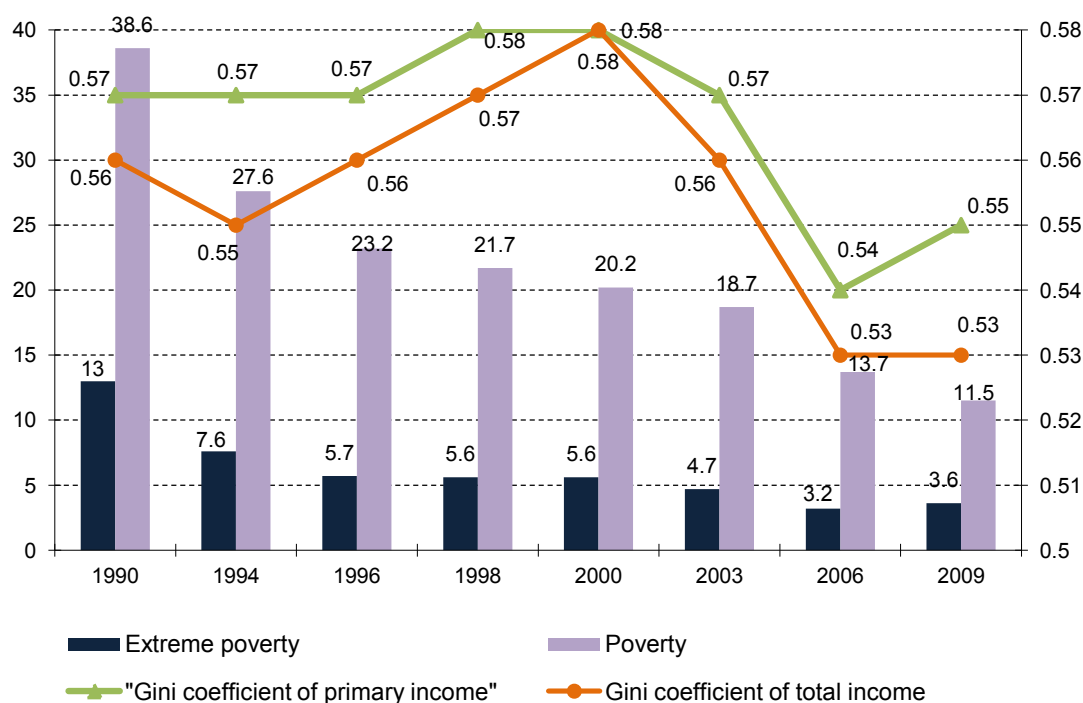
FIGURE 2
AVERAGE ANNUAL UNEMPLOYMENT RATE, 1995-2009^a
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), Economic Development Division.

^a Data for 2009 is based on an estimation ranging from January to December.

FIGURE 3
PEOPLE LIVING IN POVERTY AND EXTREME POVERTY ^a
AND GINI COEFFICIENT ^b, 1990-2009
(Percentages and index)



Source: Own elaboration on the basis of data from ECLAC, special tabulations of household surveys, and Ministry of Planning (MIDEPLAN), “CASEN Survey”, Government of Chile, 2010.

^a Percentage of total population.

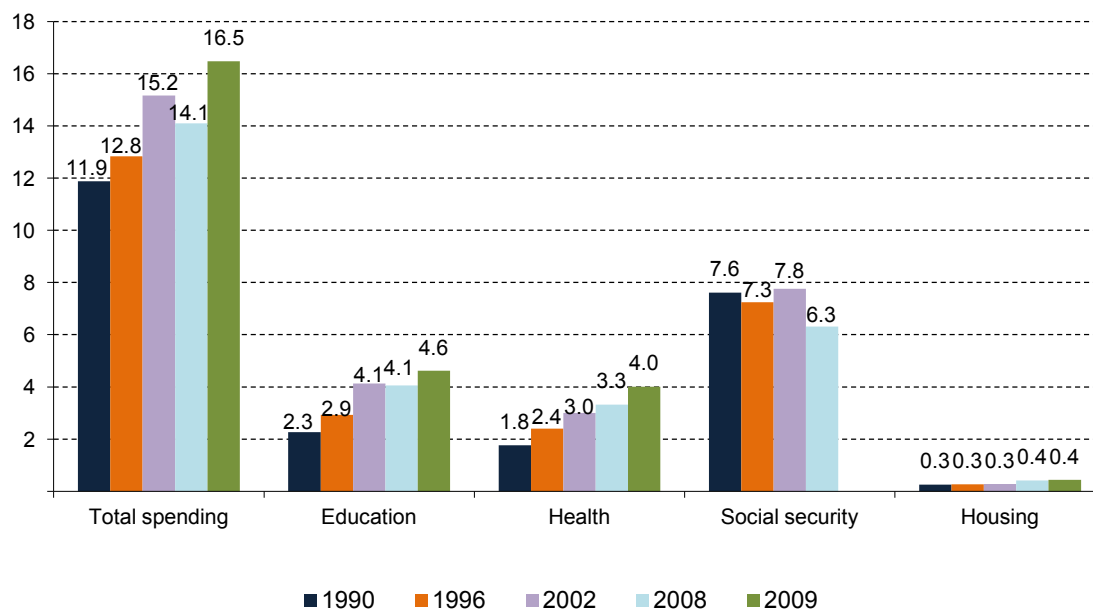
^b Gini coefficient calculated on the basis of per capita income distribution.

Income distribution in Chile remains highly unequal (above the 0.53 threshold), even though social transfers implemented by the Chilean State have had some impact in preventing it to increase as a result of the most recent financial crisis. As it can be appreciated in figure 3, the Gini coefficient of primary income (not considering social transfers and subsidies) increased slightly between 2006 and 2009, while the Gini coefficient of total income remained stable during that period.

B. Social spending trends

The Chilean State has persistently increased social spending since the early 1990s, coincidentally with the expansion of social policies. In 1990, total social spending as a percentage of GDP was 11.9%; by 2009, it had increased to 16.5%. Spending on health and education increased steadily throughout the whole period. On the contrary, spending on social security was more volatile. Spending on housing remained low throughout the period (see figure 4).

FIGURE 4
EVOLUTION OF PUBLIC SOCIAL SPENDING, 1990-2009 ^a
(Percentage of GDP)



Source: ECLAC, Social Development Division, Social Spending Database.

^a Data from the central government. Total spending includes spending on education, health, nutrition, social security, employment, social assistance, housing, water and sanitation. Social security comprises spending on social security and social protection, employment and social assistance and training. There is not information on spending on social security for 2009. Spending on housing includes housing, water, sanitation and other unclassified items.

III. The social protection system in Chile: approach, pillars and institutions

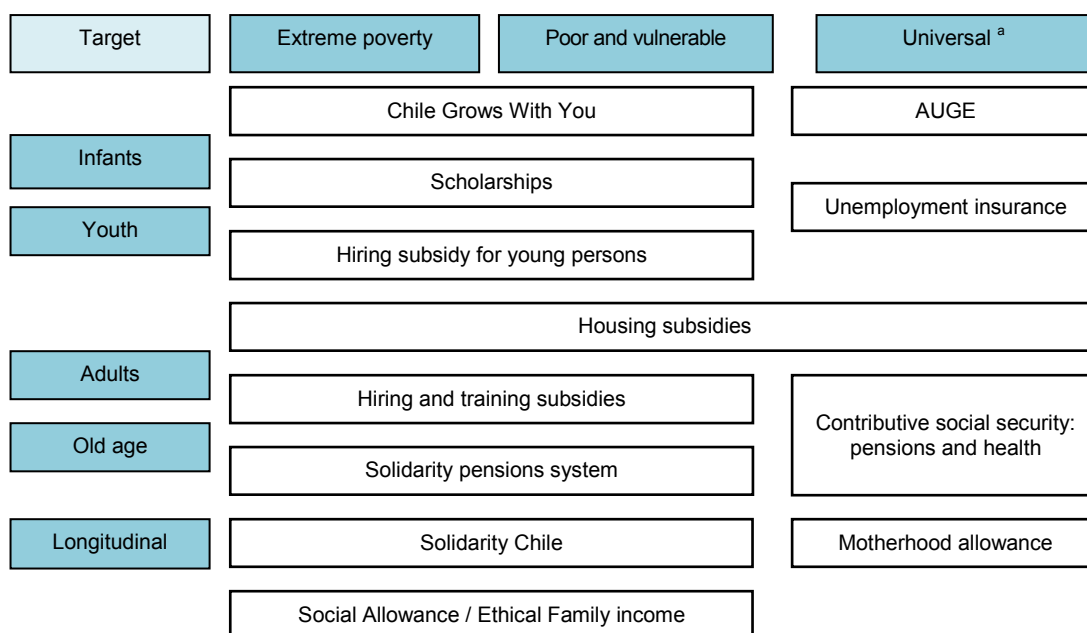
The social protection system in Chile consists of a network of services and contributive and non-contributive policies designed to provide State protection along the life cycle and across different socio-economic groups. It includes policies in the social security, health and education sectors, as well as social assistance to the poor and most vulnerable population—including, among other measures, cash and in-kind transfers. It also comprises policies aiming to promote access and demand of social services especially designed for vulnerable groups—infants, children and youth, among others—as well as subsidies in the areas of housing and employment (see diagram 1).

This system has benefited from the implementation of reforms to two of its main pillars: pensions and health. Both reforms were built on a rights-based approach, since they explicitly sought to realize citizens' rights to social security and health. The health reform, in particular, defined social guarantees which may be claimed by citizens if unattended.

The Chilean approach to social protection exhibits an increasing articulation among contributive and non-contributive instruments, as well as of policies that belong to different sectors. In order to improve intersectoral collaboration, a specific institution was created within the Ministry of Social Development—the Executive Secretary of Social Protection (*Secretaría Ejecutiva de Protección Social*). The Secretary coordinates the action on social protection of various ministries, including the Ministry of Health (*Ministerio de Salud*, MINSAL), the Ministry of Education (*Ministerio de Educación*, MINEDUC), the Ministry of Housing and Urban Planning (*Ministerio de Vivienda y Urbanismo*, MINVU) and the Ministry of Employment and Social Security (*Ministerio del Trabajo y Previsión Social*, MINTRAB).

The mechanisms to measure poverty and target social programmes are among the main institutional innovations in the area of social protection. Between 1976 and 2006, the main instrument for targeting social programmes was the CAS Record (*Ficha CAS*). This record was administered by municipalities and filled based on demand. It contained a series of indicators of material welfare in the dimensions of housing, education, occupation, employment, income and assets. Based on these indicators, an index estimating family incomes was built—the *Puntaje CAS*.

DIAGRAM 1
SOCIAL PROTECTION NETWORK



Source: Own elaboration on the basis of Ministerio Secretaría General de Gobierno, “Red de Protección Social,” [online] www.redprotege.gov.cl/Default.aspx, 2011; and C. Hardy, “Red Protege. Sistema de protección social en Chile”, Santiago, Chile, International Labour Office (ILO), 2010.

^a Access to these components is theoretically universal. These are independent of age group, although each of them has particular requirements —such as accomplishing a particular number of contributions— as explained in the following sections. Thus, in terms of their implementation, they do not have effective universal coverage.

In 2006, the CAS record was reformulated as Social Protection Record (*Ficha de Protección Social*, FPS), which includes a more comprehensive range of risk dimensions, beyond income deprivation. These dimensions include family dynamics, specific local risks, labour vulnerability and human capital (health and education). Over 65% of the national population has been registered, facilitating policy targeting.⁴

The FPS is the main source of information for the Integrated Social Information System (*Sistema Integrado de Información Social*, SIIS), which stores and processes information on beneficiaries and allowances provided by the State (Covarrubias, Irarrázaval and Morandé, 2011). The SIIS aims to identify, monitor and evaluate the available supply of programmes to combat poverty, facilitating greater articulation among the Ministry of Social Development and sector ministries in the development of a social protection system. The Ministry of Social Development also counts with an Integrated Bank of Projects (*Banco Integrado de Proyectos*, BIP) with information on public infrastructure projects and its implementation.

⁴ Currently, the Social Protection Record is under redefinition, as it has raised many criticisms (Comité Fichas de Protección Social, 2010). The new record will include a new method for estimating each family’s score in order to be considered for social programmes.

IV. The social protection system for the poorest and most vulnerable population as a mean to improving access to social promotion

A. Solidarity Chile, the Puente Programme, the Social Allowance and other non-contributive subsidies and allowances

Despite the achievements of the country in terms of poverty reduction, by the year 2000 it became apparent that there was a persistent pocket of extreme poverty that could not be easily eradicated. Extreme poverty accounted for 5.6% of the national population (Palma and Urzúa, 2005) and the policies implemented until then had not succeeded in providing an effective response before situations of risk and structural crisis. Thus, in 2002 the *Puente* programme was created. This programme —run by the Solidarity and Social Investment Fund (*Fondo de Solidaridad e Inversión Social*, FOSIS), part of the Ministry of Social Development— aims to establish bridges among the population living in extreme poverty and the public network of programmes, thus contributing to the realisation of their social rights.

The programme has the family as the main unit of intervention, rather than persons or communities. One of the key components of the programme is the work performed by a family counsellor (*apoyo familiar*), a social worker in charge of establishing a set of commitments between the families and the programme —the family contract (*contrato familiar*)— on a series of dimensions⁵ considered relevant by the two parts to reduce vulnerability. The counsellor works with the family throughout a two-year period.

The programme operates in all the municipalities with families living in extreme poverty. In the large majority of the cases, the municipalities act as the direct executors of the programme through the Family Intervention Units (*Unidades de Intervención Familiar*). These Units, located within the municipal government level, organize a local network that grants support to the programme's operation. This network is composed of private and public actors and institutions involved in the implementation of strategies to combat poverty.

⁵ These dimensions are the following: identification, health, education, housing, family dynamics, employment and income. The family contract sets a list of minimum conditions that should be accomplished by the family, out of a total of 79 conditions (MIDEPLAN, 2010).

In parallel to the Puente programme, in 2004 the Solidarity Chile Programme (*Chile Solidario*) was created. This programme —under the responsibility Executive Secretary of the System Solidarity Chile within the Ministry of Social Development— aims to improve the coordination of the social protection network and policies for the most vulnerable population.

Solidarity Chile has four main components: (i) psycho-social support executed by the *Puente* Programme; (ii) social protection allowances (*bono de protección* and *bono de egreso*) to the participating families; (iii) guaranteed cash transfers (family allowances pre-existent to the Puente and Solidarity Chile programmes); and, (iv) preferential access to social promotion and employment programmes. Under this scheme, the *Puente* programme becomes the entrance gate to Solidarity Chile.

The social protection allowance (*bono de protección*) is paid every six months decreases along the 24 months of the programme. The amount of the allowance varies between US\$ 12 and US\$ 24, readjusted according to the real annual variation rate of the CPI. Once this period is finished, families receive a graduation allowance (*bono de egreso*) of US\$ 13.8, payable during the three years following the exit from Solidarity Chile. Preferential access to the public network of programmes and policies is also kept for the same period.

The cash subsidies for families belonging to Solidarity Chile are the following:

- (i) Family Allowance (*Subsidio Único Familiar*, SUF): created in 1981, it is targeted on the poorest 40% of the national population. The monthly allowance equates to US\$13.8 and is granted to young persons and children aged 18 years old and below, disabled persons of any age, their mothers, pregnant women and mentally disabled persons who do not receive the Mental Disability Allowance.
- (ii) Mental Disability Allowance (*Subsidio de Discapacidad Mental*). Created in 1975, it provides a monthly allowance equivalent to US\$112.3, readjusted according to the variation of the annual CPI. It is granted to people living in poverty, aged 18 years old and above who do not receive the family allowance and have been declared mentally disabled by the Commission for Preventive Medicine and Certification of Disability (*Comisión de Medicina Preventiva e Invalidez*, COMPIN).
- (iii) Identity Card Allowance (*Subsidio a la cédula de identidad*): subsidizes the difference between a minimum contribution required on the part of the beneficiary —equivalent to US\$1.1— and the cost of the identity card.
- (iv) Drinkable Water and Sanitation Allowance (*Subsidio al pago del consumo de agua potable y servicio de alcantarillado de aguas servidas*, SAP): covers the total expenses of a household consumption of water up to 15 cubic meters for dwellings with access to sanitation.
- (v) Preferential subvention scheme and scholarship in support of school retention (*Subvención preferencial y pro retención escolar*): delivered directly to the administrators of the schools —municipal, subventioned particular and technical— who achieve to incorporate and retain students who belong to Solidarity Chile and are enrolled between 7th grade of primary school and 4th grade of secondary school. The subvention ranges from US\$130.1 and US\$312.3.
- (vi) Basic Solidarity Pension (*Pensión básica solidaria*, PBS). This pension was created with the 2008 pension system reform. It includes both basic pensions and supplementary contributions to pensions in the case of old age or disability (see section V).

Beyond these allowances, Solidarity Chile has also established agreements with other public institutions, aimed at achieving preferential access to social programmes in the areas of employment, housing, education and health. This is the case of the programmes implemented by the National Service for Training and Employment (Servicio Nacional de Capacitación y Empleo, SENCE), such as the Hiring Subsidy for Workers of Solidarity Chile (*Bonificación a la Contratación de Mano de Obra*), that offers training and labor intermediation, and the Hiring Subsidy for Young Persons of Solidarity Chile (*Subsidio a la contratación de Jóvenes Chile Solidario*).

In addition, Solidarity Chile provides access to additional psycho-social support programmes:

- (i) *Vínculos*, coordinated by the National Service for the Elderly (*Servicio Nacional del Adulto Mayor*, SENAMA), which supports elderly who live in poverty and vulnerability;
- (ii) *Calle*, which works with homeless adults and is implemented by NGOs;
- (iii) *Caminos*, which provides support to children whose parents or family members have been jailed; it is also implemented by NGOs.

In September 2009, the Law 20379 provided institutional sustainability to Solidarity Chile, creating the Intersectoral Social Protection System, as well as the Subsystem for the Integral Protection of Infancy “*Chile Grows With You*” (MIDEPLAN, 2009) (see section IV.B).

In the context of the 2008 financial crisis, new programmes were implemented to protect people from falling into acute poverty. In March and August 2009, and March 2010, a cash transfer (*Bono de Apoyo a la Familia*) was granted to low and medium-income families with monthly earnings below US\$845.7, receiving the Family Allowance and/or beneficiaries of Solidarity Chile. The transfer accounted for US\$76.7 per each dependent and was included as part of the Economic Stimulus Plan (*Plan de Estímulo Económico*) set in place as a reaction to the global economic crisis that began in 2008.

Since April 2011, these emergency —relief allowances were replaced by a regular non—contributive cash transfer programme for families living in extreme poverty: the Social Allowance (*Asignación Social*).⁶

The Social Allowance is the first component of the Ethical Family Income. As stated in the project of law under current discussion,⁷ this policy aims to further social promotion and mobility through a series of conditional and unconditional cash transfers financed by public resources, creating a Subsystem of Social Protection and Promotion to be called “Securities and Opportunities”. The transfers seek to overcome poverty and alleviate vulnerability, complementing the primary income of the poorest as well as of the most vulnerable middle-income households.

These transfers will be organized under three pillars: (i) the pillar of “dignity”, consisting of an unconditional transfer (the “basic” allowance) for families living in extreme poverty, covering approximately 170,000 families or 640,000 persons;⁸ (ii) the pillar of “duties”, including conditional cash transfers equivalent to US\$ 16 per child for families living in extreme poverty with school age children that accomplish a school attendance rate not inferior to 90% in the case of primary education and 85%, in the case of secondary education;⁹ and, (iii) the pillar of “achievements”, considering conditional cash transfers rewarding school excellence and the labour insertion of women belonging to the poorest 30% of families —including vulnerable middle-income families—. ¹⁰ Both a psychosocial and a labour inclusion assistance programme are created under this project of law (Mensaje No. 195-359, 2011).

As an indication, according to data for April 2011, adding the cash transfers of the Social Allowance and the Solidarity Chile system, these account as a minimum and maximum of 23% and 83% of the extreme poverty line, and 13% and 51% of the poverty line (Vargas, 2011). This coverage

⁶ This programme is regulated by the Decree 29 promulgated on 7 March 2011.

⁷ The project of law was sent to Congress for approval on 27 September 2011 (Mensaje No. 195-359).

⁸ The basic allowance has two components: one is granted to each family member and ranges between US\$9 and US\$15 per month, according to the vulnerability of the family; the second allowance of US\$ 20 is also paid to each family member once a year.

⁹ It also includes an allowance for families with children aged less than 6 years old conditional on children’s attendance to health care controls.

¹⁰ A transfer of US\$ 100 per year is given to households with children with marks in the highest 15% of their class and enrolled in a course between the 5th year of primary education and the last year of secondary education. In the case of the condition on women’s labour insertion, the allowance of US\$ 50 is granted once a year to women who received at least one social allowance during 2011, made at least one contribution to social security between April and December 2011, were aged 25 years old or above when making this contribution and whose monthly earnings during this period were below US\$ 756. See [online] <http://as.ministeriodesarrollosocial.gob.cl/views/html/preguntas.php#24> [last accessed on 16 February 2012].

of the basic income needs is considerably higher than in the case of Solidarity Chile alone. However it is still insufficient to place people above the poverty or even, the extreme poverty line.

B. Protecting early childhood: “Chile Grows With You” system

Children are the population group most affected by poverty incidence in Chile¹¹ and there are acute differences among children in families belonging to the poorest and richest quintiles in terms of their development opportunities and health indicators, such as stunting (Ramos and Acero, 2010). Confronted with this situation, in 2006, the Chilean government put in operation the “Chile Grows With You” (*Chile Crece Contigo*) system, aiming to guarantee a healthy environment for children’s development and the realization of their rights through intersectoral interventions.¹²

The system secures access to all children—and in particular to the poorest and most vulnerable—to the social policies and services that promote their integral development, from healthcare controls in the gestation period to their enrollment in the education system. It includes actions in the areas of health, education, family dynamics and community development. It is implemented through municipal services, although it is centrally coordinated by the Ministry of Social Development. Three are the main components of the system (MIDEPLAN, 2011b):

- (i) Biopsychosocial Development Support Programme (*Programa de Apoyo al Desarrollo Biopsicosocial*, PADB). It is administered by the MINSAL and constitutes an entrance gate to healthcare. It provides personalized support to children development from age 0 to 4 in the public health system.
- (ii) Free access to nurseries and *crèches* for the poorest 60% of children.
- (iii) Preferential access to social services and programmes on income, employment, housing and justice for the most vulnerable and poorest children and their families.

Beyond these actions, the system also considers implementing education and legal initiatives of universal coverage that aim to protect children from different risks.

C. Coverage and funding of the social protection for the poor and vulnerable

The coverage of the non-contributive allowances described in this section vary considerably (see figure 5) and some of them go beyond the exclusive coverage of families in Solidarity Chile. For example, in 2010, the Family Allowance’s coverage was about 2 million people, equivalent to 11.6% of the total national population. In contrast, in the same year, Solidarity Chile delivered only 200,000 social protection allowances. Concerning the first stage of the implementation of the Social Allowance, 130,000 families (490,000 persons) received it in 2011. This figure is equivalent to 65% of the population living in extreme poverty.

Regarding to programme coverage, the *Puente* programme was initially designed for the 225,000 poorest households in the country, according to the extreme poverty rate for 2002. In 2005, 126,271 households were part of the programme, and by 2008, the coverage had increased to 332,995 households, equivalent to 6.8% of the national population and 51.7% of the population living in poverty.¹³ In the case of

¹¹ In 2009, according to data from ECLAC, poverty incidence among children aged 0 to 14 years old was 17.3%, while the average poverty incidence for the total population was 11.5%.

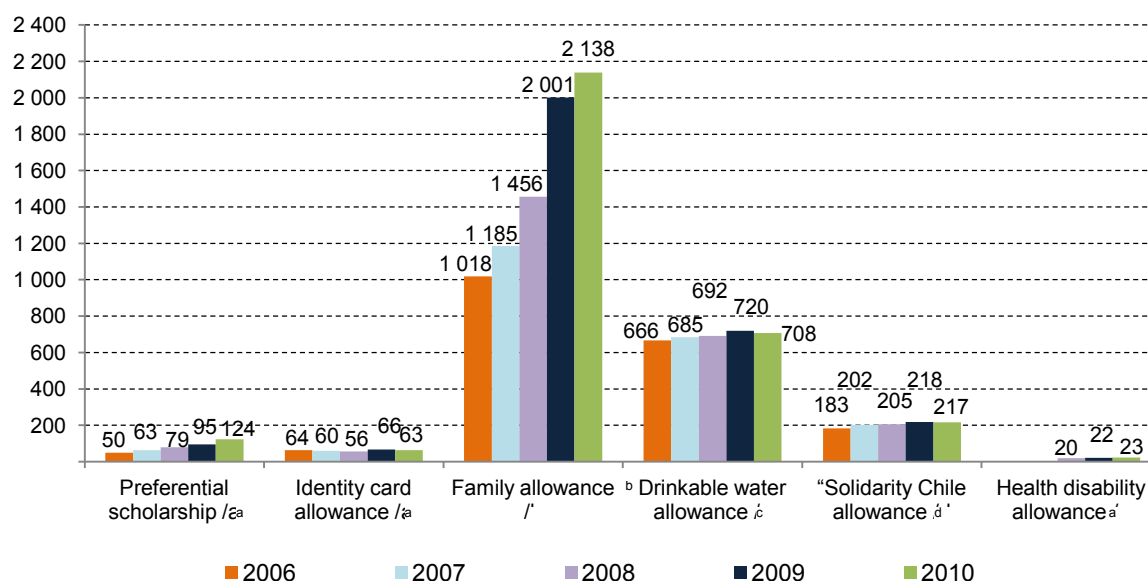
¹² The system received institutional recognition in 2009 through the Law 20379.

¹³ According to the Non-contributory social protection programmes in Latin America and the Caribbean database, Social Development Division, Economic Commission for Latin America and the Caribbean (ECLAC) [online] <http://dds.cepal.org/bdptc/>. According to data from the Minister of Social Development (MIDEPLAN, 2010), in 2010 the coverage of the programme increased by 50,000 families.

Chile Grows With You, until August 2009, 198,122 pregnant women had registered in the programme. The great majority of them are among the 40% most vulnerable women in Chile (Ramos and Acero, 2010).

FIGURE 5
COVERAGE OF NON-CONTRIBUTORY ALLOWANCES OF THE SOCIAL PROTECTION SYSTEM (THOUSANDS OF PERSONS), 2006-2010

(Number of persons)



Source: Ministry of Social Development, Executive Secretary of the Social Protection System, December 2010.

^a Number of beneficiaries.

^b Average number of beneficiaries per year

^c Average allowances per year.

^d Falta información

All programmes are financed by the national budget. In 2009, spending on Solidarity Chile was equivalent to 0.11% of GDP (ECLAC, 2010b). In the case of the Social Allowance, its budget was included as part of Solidarity Chile in the Budget Law for 2011 and totalled US\$136.4 million,¹⁴ increasing by 56% the 2010 budget for Solidarity Chile.

According to 2006 data, non-contributive transfers such as the Family Allowance, the drinkable water and sanitation allowance and the Solidarity Chile allowances are highly progressive in their distribution, benefiting primarily people in the poorest income deciles (table 1).

TABLE 1
DISTRIBUTION OF NON-CONTRIBUTIVE MONETARY ALLOWANCES, 2006

Type of Subsidy	Deciles									
	I	II	III	IV	V	VI	VII	VIII	IX	X
Family allowance (SUF)	39.9	22.8	13.9	9.4	4.8	4.2	2.7	1.4	0.7	0.3
Drinkable water and sanitation allowance	17.6	15.1	14.8	13.7	10.6	9.9	8.1	5.8	3.4	0.9
Solidarity Chile allowances ^a	37.4	21.0	14.0	9.0	7.9	4.9	3.5	1.6	0.6	0.1

Source: Own estimation, on the basis of Ministry of Planning (MIDEPLAN), CASEN Survey 2006, Santiago, Chile, 2007b.

^a Includes the Social Protection Allowance and the Graduation Allowance.

¹⁴ See [online] http://www.dipres.cl/574/articles-70601_doc_pdf.pdf.

V. The pension system: integrating the contributive, voluntary and solidarity pillars

The pension system in Chile is profoundly marked by the 2008 reform. Previously, the reform implemented in 1981 had replaced the pay as you go system for an individual capitalization system (see section I). The capitalization system demanded individual contributions equivalent to 10% of the wages to be deposited in accounts managed by private pension fund managers (AFPs).

The transition from one system to the other implied a cost of 2% of GDP per year between 1981 and 2006, which was paid by the State (Uthoff, 2008). The results of the 1981 reform raised many criticisms in terms of its equity, profitability and final income replacement rates. By 2006, over 33% of the occupied did not contribute to social security and it was estimated that half of the workers contributing to the system were not going to reach a minimum pension by retirement. Hence, discussions to reform the system began in that year.

A. The 2008 reform to the pension system

The pension reform implemented in 2008 aimed to increase the coordination among the contributive and non-contributive components, in order to substantially improve coverage and equity. The reform also sought to increase the density of the contributions in order to raise the final pension levels and reduce fiscal pressure, stimulating formal employment and contributions. In third place, the reform aimed to improve gender equity (Subsecretaría de Previsión Social, 2008).

The pension reform was designed under a triple pillar: (a) mandatory individual capitalization (contributive pillar); (b) Voluntary Pension Saving (*Ahorro Previsional Voluntario*, APV) (voluntary pillar); and (c) the solidarity pensions system (*Sistema de Pensiones Solidarias*, SPS) (solidarity pillar).

In the first place, the reform introduced changes to the individual capitalization system. The Disability and Survival Insurance became responsibility of the employer—and not of the employee, as occurred previously—. Competition among AFPs was promoted in order to lower premiums; the fixed rate commission formerly charged by the AFPs to affiliated members was eliminated; changes to the regulation of their investing framework were also introduced and new institutions were created in order to improve the information available for members to make appropriate decisions (Arenas de Mesa, 2010).

It was also established that independent workers who declare incomes from remunerated activities will be obliged to contribute to the system from 2015. Other workers will retain a voluntary option to contribute. In both cases, they will have access to health benefits —through the National Health Fund (*Fondo Nacional de Salud*, FONASA) or private health insurers (ISAPRES)—, as well as insurance against occupational hazards, family allowances for dependents and the option to subscribe a family compensation fund.

The voluntary pillar aims to incentivize pension savings, both under an individual and a collective format. A collective APV scheme is created, allowing that workers' voluntary contributions are complemented by contributions made by the company where they are employed, under a specific agreement with an AFP. In the case of non-remunerated workers, they can also make contributions to the system —which are discounted from the spouse's remuneration— and become protected by the Disability and Survival Insurance (Subsecretaría de Previsión Social, 2008: 58).

Finally, the SPS replaced the former non-contributive pension programmes (PASIS and GEPM) and raised pension amounts. On the one hand, the reform creates a Basic Solidarity Pension (*Pensión Básica Solidaria*, PBS) for persons aged 65 years and above and for persons declared disabled that do not have the right to a pension under any other regime. Since July 2009, the pension corresponds to US\$159.7 per month and it is adjusted according to the annual inflation rate, guaranteeing an income above the poverty line.¹⁵ Initially, this pension was focused on the poorest 40% of the population, but it was later extended to the poorest 50% and by July 2012 it should include the poorest 60% of the population (Fajnzylber, 2010).

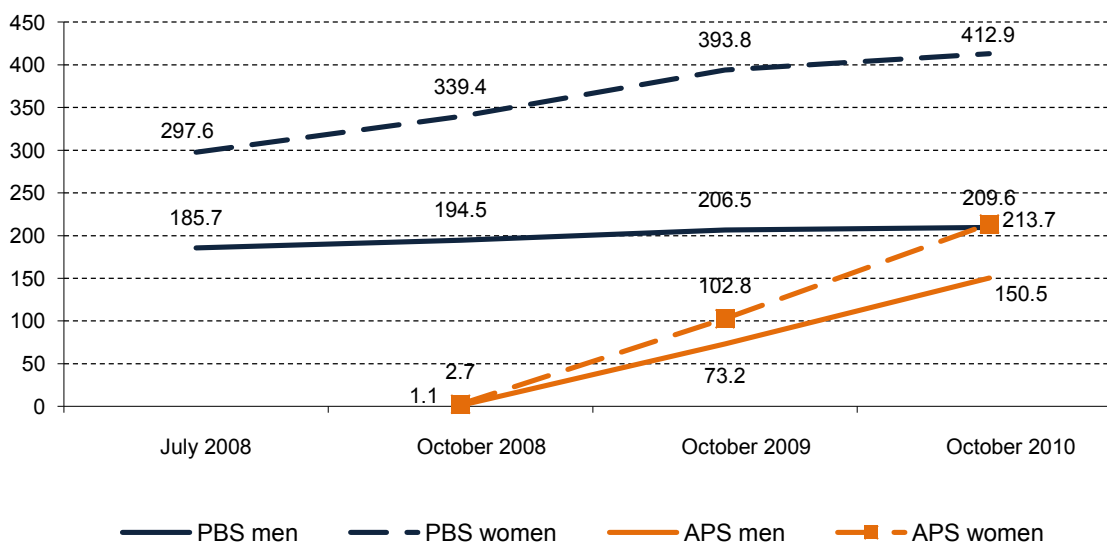
On the other hand, the reform also included a Solidarity Pension Supplement (*Aporte Previsional Solidario*, APS) for the elderly and disabled persons whose contributions are insufficient to reach a pre-defined level called Maximum Pension Level with a Solidarity Supplement (*Pensión Máxima con Aporte Solidario*, PMAS). The State complements the pensions until reaching the PMAS. In July 2009, the PMAS was set at US\$255.5 per month and it is expected that it will increase up to US\$543, amounts which are higher than those of the Basic Solidarity Pension in order to avoid possible disincentives to contributions. Also, the PMAS sought to solve the obstacles faced by workers with low levels of contributions, such as women and independent workers (Arenas de Mesa, 2010; Fajnzylber, 2010).

Beyond these measures, the reform also included specific initiatives for vulnerable workers, such as the Pension Subsidy for Young Workers (*Subsidio Previsional para los Trabajadores Jóvenes*). This subsidy benefits young workers with incomes below 1.5 minimum wages and seeks to introduce incentives for hiring young people aged between 18 and 35 years, since it finances 50% of the pension costs (upon the minimum wage) that companies must incur. Additionally, workers receive from the State a deposit for the same amount in their individual capitalization account, during their first 24 months of contributions made to an AFP. In the case of the elderly who receive the lowest pensions, a winter allowance (*Bono de Invierno*) was created, consisting of US\$ 86.6, paid once a year.

Concerning gender equality, the reform introduced various measures. In the first place, women are those who primarily benefitted from the solidarity pensions system (see figure 6), partially compensating their under-representation in the contributive component. Furthermore, since the Basic Solidarity Pension is for life, the reform addresses the inequalities generated by the higher longevity of women.

¹⁵ As a reference, in June 2008, still under the PASIS, social pensions corresponded to US\$96.6 per month (Superintendencia de Pensiones, 2009a).

FIGURE 6
COVERAGE OF THE SOLIDARITY BASIC SYSTEM, BY SEX, 2008-2010
(Thousands of persons)



Source: Own elaboration on the basis of data from the Pensions Supervisor (*Superintendencia de Pensiones*).

In the second place, the reform also created a Motherhood Allowance (*Bono por Hijo*) paid to women per each born-alive or adopted child, whose aim is to improve their final pensions. This is a benefit for all women aged 65 years and above who retired after the 1st of July, 2009, including women under the individual capitalization system, with or without APS, or women who receive the Basic Solidarity Pension or any survival pension and did not make any contribution to the system at all. For women aged less than 65 years, the benefit consists in a deposit made to their individual accounts. The allowance is equivalent to 18 contributions made by a worker who earns the minimum income, which in November 2010 corresponded to US\$713.3 per child. In practice, only women who do not qualify for the Basic Solidarity Pension, do not receive a survival pension or have never made contributions to the system are excluded from receiving this allowance.

In the third place, concerning the contributive pillar, the reform equates the coverage of the Disability and Survival Insurance for men and women up to 65 years old —while previously it covered women only up to 60 years old. Also, in the case of divorce or separation, the amount in the AFP account must be divided, if this is mandated by the judicial power.

The reform also included institutional changes for the management of the system. The tasks of design, promotion and education of social security policies are now concentrated under the Ministry of Public Finance (*Ministerio de Hacienda*) and the Ministry of Employment and Social Security (MINTRAB), particularly through the Sub-Secretary of Social Security (*Subsecretaría de Previsión Social*). Within the latter, two institutions are included: the Labour Security Institute (*Instituto de Seguridad Laboral*), monitoring the realization of the rights defined by the Law of work-related accidents and diseases (*Ley de Accidentes del Trabajo y Enfermedades Previsionales*) and the Social Security Institute (*Instituto de Previsión Social*, IPS), in charge of administering the former pay as you go system, the solidarity pensions system, the motherhood allowance and the Pension Subsidy for Young Workers (Arenas de Mesa, 2010). The regulation of the system, including the roles of supervision and control, is under the responsibility of the Pensions Supervisor, dependent on the MINTRAB.

B. Social spending on pensions and funding of the system

The pension reform introduced several fiscal and institutional changes in order to secure funding. These included a more exhaustive monitoring of the pension payments made by employers through a computing system that detects under-declarations and unpaid contributions.

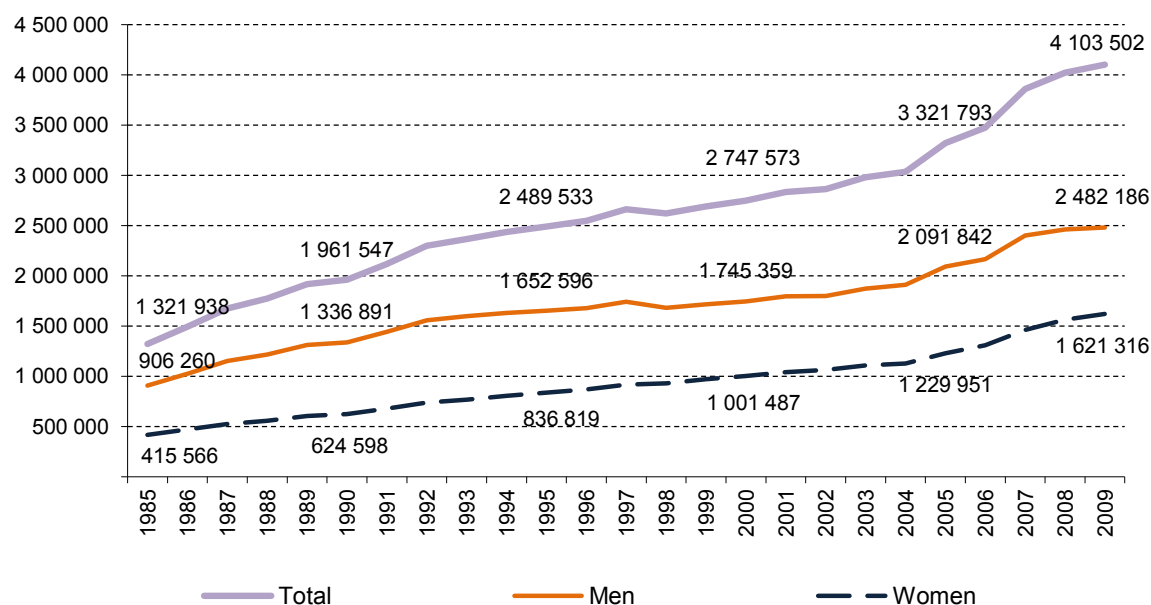
In 2009, the SPS represented an investment equal to 0.5% of GDP, estimated to increase up to 1.2% of GDP by 2025. Nevertheless, considering that the new system replaced the obligations acquired under the 1981 reform, this spending represents only an additional 0.21% of GDP in 2009, which will rise to 0.82% of GDP in 2025 (Huepe and Larrañaga, 2010: 174). Furthermore, it must be considered that the planning of the reform introduced several incentives towards raising contributions. It is projected that by 2020, the number of persons under the APV regime will surpass the number of persons receiving the Basic Solidarity Pension (Arenas de Mesa et al., 2008).

The reform was financed through the Pensions Reserve Fund (*Fondo de Reserva de Pensiones*), created by the Fiscal Responsibility Law (*Ley de Responsabilidad Fiscal*) of 2006. This is an instrument that seeks to guarantee the fiscal balance reducing the pressure upon current spending in the face of a greater pressure to spend due to the implementation of the reform. The Pension Reserve Fund is financed yearly through the structural surplus of the former year, equivalent to 0.2%-0.5% of GDP. It may increase according to the profitability of the fund's investments (Huepe and Larrañaga, 2010).

C. Coverage of the pension system

The 2008 reform had an important effect in expanding the coverage of the pension system, be it in the non-contributive and voluntary pillars (see figure 6), as well as in the contributive pillar (see figure 7). Despite this growth, however, independent workers still contribute significantly less than workers in the formal labour market, although their coverage has increased permanently since 2006.

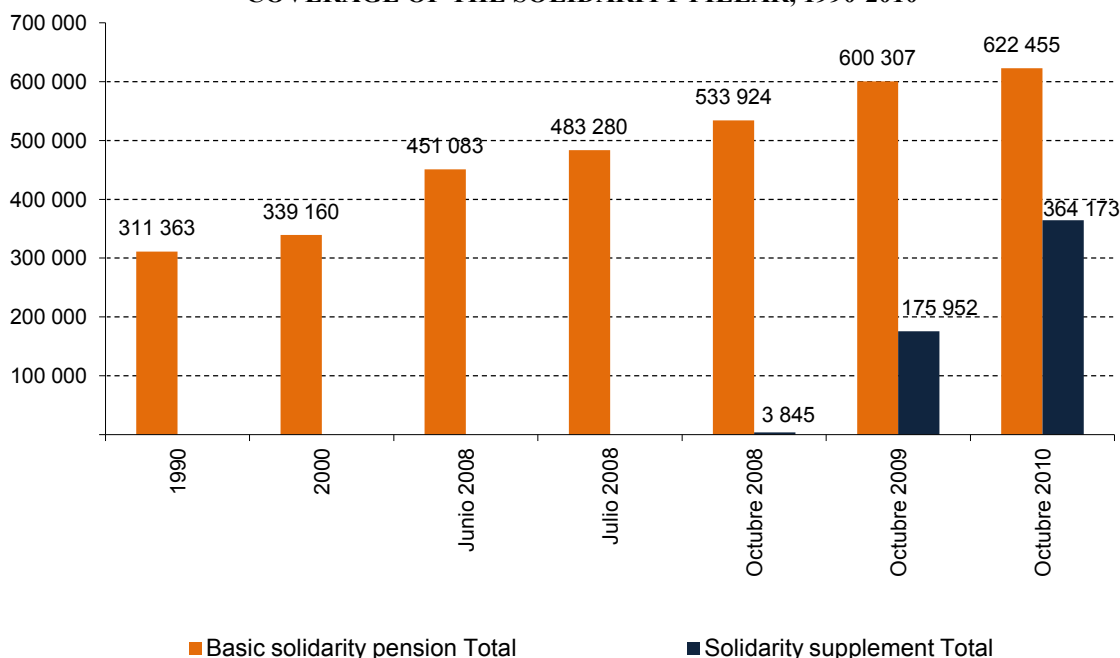
FIGURE 7
WORKERS CONTRIBUTING TO THE PENSION SYSTEM, BY SEX, 1985-2009
(Number of persons)



Source: Own elaboration on the basis of data from the Pensions Supervisor (*Superintendencia de Pensiones*). The figures correspond to the number of contributions made on December each year.

In the non-contributive pillar, the solidarity pensions system has increased considerably the coverage among the most vulnerable. The population that receive the basic solidarity pension has increased by 38 percentage points compared to the moment previous to the implementation of the reform (June 2008), and it has doubled since 1990 (see figure 8).

FIGURE 8
COVERAGE OF THE SOLIDARITY PILLAR, 1990-2010



Source: Own elaboration on the basis of data from the Pensions Supervisor (*Superintendencia de Pensiones*). The APS was first granted in October 2008. Data for the 1990-2000 period is taken from the Instituto de Normalización Previsional and the Superintendencia de Seguridad Social (Gana, 2002).

The percentage of people aged 65 years and above that received these pensions increased from 23.9% in June 2008 to 51.1% in December 2009 (Arenas de Mesa, 2010),¹⁶ and it has been estimated to increase to 58.4% in 2011 (Huepe and Larrañaga, 2010).

Analyzing jointly the APV and the basic solidarity pension, the coverage has doubled between June 2008 and October 2010, and —compared to 1990— it has tripled. The population that has been incorporated to the solidarity pillar by October 2010 corresponds to 959,801 persons, equivalent to 61% of the population aged 65 years and above.

It is important to observe, however, that the former social pension's scheme —the PASIS— was more pro-poor than the Basic Solidarity Pension (see table 2). This may be explained by the greater coverage of the BSP, which is targeted to the poorest 60% of the population (Bravo, 2010).

With respect to other pension-related allowances, in 2009, the winter allowance was received by 825,000 persons who earned a pension below US\$ 260.7, beneficiaries of the Basic Solidarity

¹⁶ Data from the IPS and the Pensions Supervisor. The figure for June 2008 corresponds to PASIS and GEPM. Figures for the following years integrate the two new schemes: the Basic Solidarity Pension and the APV, plus the GEPM until the end of 2008. As a reference, in 1990, the coverage of PASIS was only 6.8% of people aged 65 years and above (Gana, 2002).

Pension, or that received a pension for work accidents or as former political prisoners;¹⁷ furthermore, in 2010, 97,000 women received the Motherhood Allowance (Asociación AFP, 2010).

TABLE 2
DISTRIBUTION OF THE SOCIAL PENSION PROGRAMME (PASIS)
AND THE BASIC SOLIDARITY PENSION (BSP), 2006-2009
(Percentages)

Deciles	2006 (Beneficiaries PASIS)	2009 (Beneficiaries PBS)
I	22.1	10.4
II	22.7	18.1
III	9.2	10.7
IV	14.6	19.1
V	8.9	13.5
VI	6.8	9.2
VII	6.8	8.6
VIII	4.8	5.2
IX	2.7	3.2
X	1.5	2
Total	100	100

Source: D. Bravo, *Evaluación de la Reforma Previsional a la luz de los resultados de la Encuesta de Protección Social 2009*, Santiago, Chile, Centro de Microdatos, Departamento de Economía, University of Chile, 2010; on the basis of data from the Social Protection Survey.

¹⁷ See [online] http://portal.ips.gob.cl/roller/noticias/entry/en_mayo_se_paga_el.

VI. The health sector: overview

The Chilean health system has kept the structure defined during the 1980s, composed by private and public institutions. The public system is run by the Ministry of Health. However, a series of primary healthcare institutions have been under the administration of municipalities, as stipulated by the 1981 reform that aimed to decentralise the administration and financing of the system. The private system remains autonomous and is composed of various clinics and hospitals, which can be accessed through a system of health insurance institutions (*Instituciones de Salud Previsional*, ISAPRES).

Beyond the public and the private system, there are also mutual insurance associations (*mutuales de seguridad*) that run their own clinics for the attention of work-related injuries and diseases. Finally, there are also hospitals administered directly by the armed forces for their personnel.

Four institutions regulate the whole health system: the Superintendent of ISAPRES (*Superintendencia de ISAPRES*), supervising the operation of these institutions; the National Health Fund (*Fondo Nacional de la Salud*), the public health insurance that administers the fiscal contributions made to the public system by the affiliated members; the health storage center (*Central Nacional de Abastecimiento*, CENABAST) for medicines and devices required by the system; and the Institute of Public Health (*Instituto de Salud Pública*, ISP) that operates as a national laboratory.

Confronted with the severe gaps in terms of quality, opportunity and funding of the attention granted by the public system vis-à-vis the private, an important reform was introduced to the system at the beginning of 2000 (Ministerio de Salud, 2002, 2010a). By then, the public system received less financing than the private system and was in crisis: in 1999, 73% of the population was insured by the National Health Fund, FONASA, but between 1990 and 1999, the financing from social security contributions had decreased from 44.7% to 30.7%, demanding an increasing fiscal investment (Alvarado, 2005). Furthermore, the ISAPRES had the power to raise the costs of the insurance plans to the more risky members, and 12% of the population did not have any health insurance (Barria 2007, Ministerio de Salud, 2010a).

The healthcare reform that began to be discussed in 2000 sought to reduce inequalities between different income groups of the population with respect to health indicators, financing and quality of care. It also aimed to adapt the healthcare model to the epidemiologic changes experienced by the population, which required new sanitary goals, as well as institutional and service reforms in public healthcare (Ministerio de Salud, 2002; Bastías and Valdivia, 2007). The goal was to guarantee the right of all citizens to the highest possible level of physical and mental health, securing equity and solidarity in the financing of the health system and efficiency in the use of resources (Ministerio de

Salud, 2010b). As a result, the 2004 law on the Regime of Explicit Health Guarantees (*Garantías Explícitas en Salud*, GES) recognises these principles in the form of State healthcare guarantees. In turn, the Supreme Decree No. 228 of 2005 defines an initial list of 40 diseases and health conditions—nowadays expanded to 56 high-cost diseases—for which appropriate services became universally guaranteed. GES are at the core of the System of Universal Access with Explicit Guarantees (AUGE) and define four sub-guarantees:

- (i) Explicit guarantee of access: FONASA and ISAPREs have the obligation to guarantee health services that form part of the GES;
- (ii) Explicit guarantee of quality: healthcare providers must be accredited by the Superintendent of Health and offer attention according to pre-defined protocols of attention;
- (iii) Explicit guarantee of timeliness: defines the maximum waiting period allowed to receive attention under both FONASA and ISAPREs insurances; and,
- (iv) Explicit guarantee of financial protection: defines the maximum payment that the affiliated must make, equivalent to 20% of the cost of the service.

Beyond the actions included as part of the reform, the health sector runs different programmes for health promotion, prevention and care. These include, among others, the PNAC (see section I), which dates back to 1952 and currently covers 900,000 children and young people, focusing on treating obesity and the prevalence of chronic non transmissible diseases.¹⁸ The programme also has a version for the elderly, the National Supplementary Food Programme for the Elderly (*Programa Nacional de Alimentación Complementaria del Adulto Mayor*, PACAM).

A. Social spending on health and funding of the system

Spending on health has not increased considerably between 1990 and 2009, representing between 2% and 4% of GDP and a fifth of total public social spending. Total health spending, including public and private spending, has remained stable around 7% to 8% of GDP (see figure 9). Public spending on health is considerably higher than private spending. However, per capita spending in the private system is higher than that of the public system, but has decreased from 2.7 times to 1.6 times between 2001 and 2009.¹⁹

The additional funding required for AUGE was secured through the 2003 Finance Law, which increased the value added tax (from 18% to 19%), as well as taxes on tobacco and customs. Funding for the system was also obtained selling assets that the Ministry of Health still had in private health institutions.

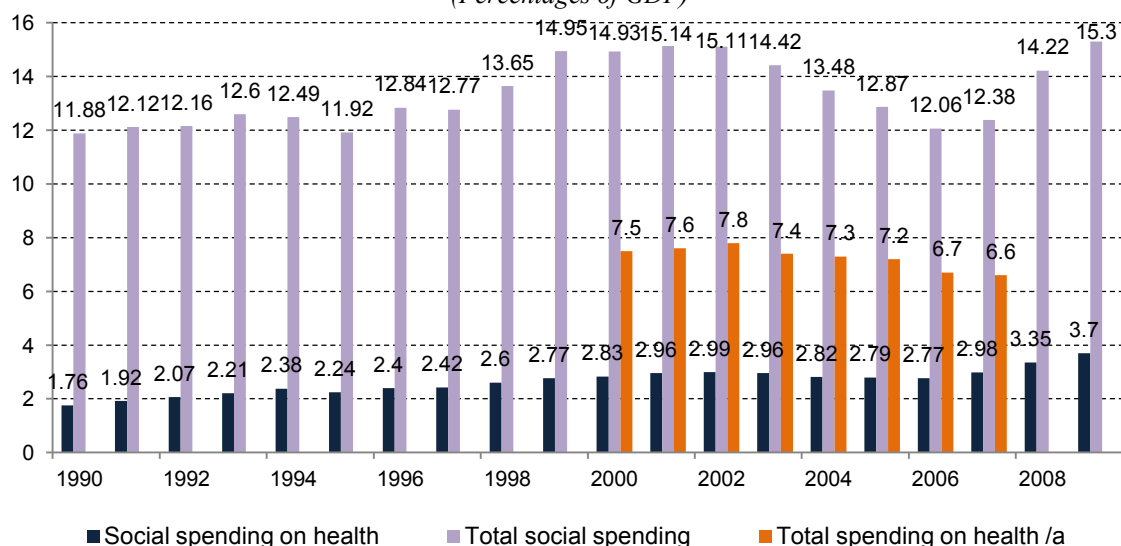
The public system receives regular contributions made by affiliated members, consisting of a discount of 7% in their wages in order for them and their dependents to be insured. Before 2011, this contribution was also made by pensioners. In May 2011, this discount began to be gradually eliminated for pensioners belonging to the poorest income quintile. In 2013, it is planned to include the following 20% of the population and to reduce the contributions made by people in the third income quintile to 5%. It is expected that 770,000 adults will be benefitted by this measure, equivalent to 80% of the population receiving an old age or disability pension. By 2013, this measure will demand a total disbursement of US\$120 million, and by 2020, it may increase to US\$200 million.²⁰

¹⁸ See [online] http://www.redsalud.gov.cl/archivos/alimentosynutricion/programaalimentario/Ficha_Resumen_Programa_Nacional_de_Alimentaci.pdf.

¹⁹ Own elaboration based on data from FONASA (Fondo Nacional de la Salud, 2011).

²⁰ See [online] www.lanacion.cl/fin-gradual-del-7-incluye-formula-para-jubilados-de-clase-media/noticias/2011-03-31/122917.html.

FIGURE 9
EVOLUTION OF SOCIAL SPENDING ON HEALTH, TOTAL SOCIAL SPENDING AND
TOTAL SPENDING ON HEALTH, 1990-2009
(Percentages of GDP)



Source: Own estimations on the basis of data from Economic Commission for Latin America and the Caribbean (ECLAC) and R. Urriola, “Indicadores para evaluar la protección social de la salud (caso de Chile)”, Pan American Health Organization (PAHO)/World Health Organization (WHO)/Fondo Nacional de Salud Chile (FONASA), 2009.

^a Total spending on health includes private and public spending.

Furthermore, both the public and private health systems demand out of pocket disbursements. The public primary healthcare level of attention is financed through a variable contribution made by municipalities —financing around 20% of the total costs—, plus a per capita contribution made by the State and paid by each registered person at a local health centre belonging to the public network. This contribution finances a basic packet of health services and is calculated considering the area where the centre is located —higher in the case of rural areas—, poverty rates and accessibility to health attention.

The distribution of the net subsidy of health —equivalent to the cost of the healthcare services provided by the public health system—, is highly progressive and targeted to the poorest population. Contributions made by the population in the richest income quintiles are higher than the benefits they receive through net subsidies (see table 3).

TABLE 3
DISTRIBUTION OF THE NET SUBSIDY OF HEALTH BY INCOME QUINTILES, 2000-2006
(Percentages)

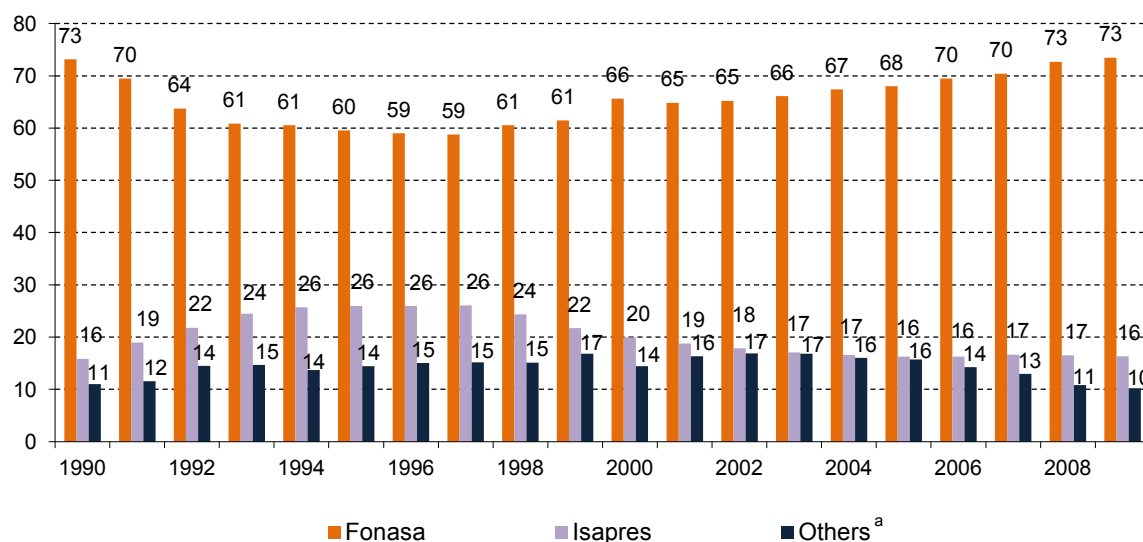
Income quintiles	Year	
	2000	2006
I	47.5	51.7
II	32.6	34.2
III	20.3	18.7
IV	6.9	5.2
V	-7.6	-9.9

Source: Own estimation on the basis of data from the Department of Epidemiology of the Ministry of Health, “Objetivos Sanitarios de la década 2000-2010”, *Evaluación Final del Periodo, Subsecretaría de Salud Pública*, División de Planificación Sanitaria, Santiago, Chile, Chilean Government, 2010c.

B. Coverage of the health system

It is estimated that the AUGE Plan has been used by 3.2 million people, corresponding to about 20% of the Chilean population. According to data from the 2009 CASEN Survey, the percentage of people that do not have any health insurance has decreased to 3.5% (Ministerio de Salud, 2010a). The majority of workers making contributions to the health system in Chile are insured by FONASA (see figure 10).

FIGURE 10
COVERAGE OF SOCIAL HEALTH INSURANCES, 1990- 2008
(Percentages)



Source: Own estimation on the basis of Fondo Nacional de Salud, FONASA's statistics http://www.fonasa.cl/prontus_fonasa/antialone.html?page=http://www.fonasa.cl/prontus_fonasa/site/artic/20041125/pags/20041125125749.html, 2011.

^a This category includes persons without any affiliation or the members of the armed forces.

In distributional terms, the majority of the population that belongs to the highest income quintile is affiliated to the private system —44.2% of the population registered at ISAPRES belongs to this quintile (see table 4)—. On the contrary, people who belong to the lowest income quintile are to a large extent beneficiaries of FONASA (Ministerio de Salud, 2010c).

TABLE 4
AFFILIATION TO ISAPRES BY INCOME QUINTILES, 2009
(Percentages)

Income quintiles	Percentage of affiliation
I	1.5
II	3.5
III	6.6
IV	16.7
V	44.2

Source: Larraín, "Financiamiento del sistema de salud, análisis de las propuestas", document presented at the seminar *Propuestas de la Comisión Presidencial de Salud: Un análisis desde las universidades y centros de estudios*, Santiago, Chile, 2011, on the basis of the 2009 CASEN Survey.

On the one hand, people living in extreme poverty or with reduced incomes have access to a pre-defined care model (*Modalidad de Atención Institucional*) exclusively at public institutions. Within this care model, there are four groups: people living in poverty and with limited economic resources (groups A and B), are entitled to free health services, while people in the following two income groups are entitled to free primary health services, but must pay 25% (group C) and 50% (group D) of the costs of the more complex services.²¹ On the other hand, people that make regular contributions to the healthcare system, together with their dependents, may opt between public and private institutions that form part of FONASA under a free election model (*Modalidad de Libre Atención*), which covers 50% of the costs of the majority of the services.

Among the main challenges of the Chilean health system, there are issues of timeliness of the attention (Ministerio de Salud, 2011) —including the persistence of waiting lists (Barría, 2007)— as well as the lack of funding (Montero et al., 2009). Furthermore, families' out of pocket disbursements to buy medicines that are not fully covered by the public or the private system are highly regressive (Fondo Nacional de Salud, 2007).

²¹ In December 2009, 4,295,202 persons were qualified in the group A (Fondo Nacional de Salud, 2011), equivalent to 25% of the national population.

VII. The education sector: an inequality trap

Similarly to the case of the health sector, the education system in Chile has kept the inherited structure of the reform implemented in 1981. This reform decentralised to municipalities the financial and administrative responsibility of free public education, granting them a State subvention which depends on enrolment rates. The reform also promoted the creation of State-subsidised institutions run by private managers that operate under a copayment scheme shared by the State, private owners and students' families or representatives. Finally, there are private institutions completely financed by private contributions and a small number of institutions operating under a model of delegated administration from the municipal corporations directly to schools.

Currently, in the country there are 12,166 education institutions providing pre-school, special, primary, secondary and adult education. In 2009, 48.1% were public institutions, 45.7% State subsidized, 5.6% private and 0.6% delegated administration institutions (Ministerio de Educación, 2011). Furthermore, there are 180 institutions providing tertiary education, including universities, professional institutes and technical instruction centres. Finally, the National Nursery Schools Council (*Junta Nacional de Jardines Infantiles*, JUNJI) and the Integra Foundation run over 3,567 nursery schools for the most vulnerable and poorest children.

The financing of the education system is based on providing subsidies to boost demand through a vouchers system, rather than focusing on supply and transferring economic resources directly to schools (Romaguera and Gallegos, 2010). This has implied that different types of schools have access to different levels of economic resources, with severe impacts on the quality provided to students, thus creating an inequality trap.

A. Reforms implemented to the education system and main programmes

Since the end of dictatorship, three main reforms have been implemented to the education sector: in 1994, 2005 and 2011. These reforms have sought to improve access and quality of the education received by all children, particularly the poorest and most vulnerable.

The 1994 reform aimed to solve critical inequalities in accessing education. Among the measures implemented,²² noticeable efforts were made to extend children's permanence in school and to improve the quality of learning through the Full School Day Programme (*Jornada Escolar Completa*, JEC).²³ However, these efforts did not succeed in achieving better learning results, as they did not alter substantially the conditions of vulnerability at school (Martinic, Huepe and Madrid, 2008). Yet, between 1995 and 2000, the coverage of primary education increased from 92% to 97% and in the case of secondary education, it rose from 78% to 84%. Similarly, in the same period, drop-out rates declined in primary education from 4% to 1.7%, and in secondary education, from 12.6% to 6.6% (Ministerio de Educación, 2002). Furthermore, between 1990 and 2004, the enrolment rate of the whole system (including pre-school, primary, secondary, technical and special education) increased by 22.4% (Ministerio de Educación, 2003).

In 2000, various programmes were implemented to provide technical support to schools attended by the most vulnerable children. In 2003, a constitutional reform was passed defining as mandatory 12 years of universal schooling in the country. Also, special subsidies were provided to schools with children who were beneficiaries of the Solidarity Chile system (see section III). One of them is the Preferential School Subsidy (*Subvención Escolar Preferencial*, SEP), which was launched in 2008 and is granted to public and State subsidised institutions that educate the poorest and most vulnerable students, including members of Solidarity Chile. This programme includes a plan to improve school infrastructure and learning, as well as a monetary transfer to schools for each student enrolled. In June 2010, the subsidy—which is subjected to school attendance—ranged from US\$70 to US\$116, depending on the education level and participation in the JEC (Ministerio de Educación, 2010a). In addition, SEP delivers an additional transfer of US\$49 for each preferential student enrolled at the school, plus an allowance of US\$9 per student to schools that have a higher concentration of vulnerable students (Ministerio de Educación, 2010b). It is estimated that this subvention increases schools resources up to 50%.

Moreover, there are several measures that have been implemented with the aim of supporting vulnerable students who live in remote and rural areas or form part of preferential groups, to prevent them from dropping-out of school. These include an additional subvention for schools that succeed in retaining students that belong to Solidarity Chile, extending their enrolment between the 7th grade of primary education and the final year of secondary education. This subvention ranges from US\$140 to US\$336, paid once a year. There are also subventions paid to school teachers that work in remote areas or at institutions confronting several difficulties, or have achieved an outstanding performance (Ministerio de Educación, 2010a).

Pre-school education has gone through increasing attention on the part of the State, due to the role it accomplishes in equating opportunities. Thus, as part of Chile Growths With You, the number of crèches or nursery schools has increased from 700 in 2006 to 4,000 in 2009. Since the age of 3 months until 6 years old, children have guaranteed access to free pre-school municipal education. The State delivers a subvention to public and State subsidized institutions towards this aim.

In spite of all these actions and efforts, the results shown by students in learning tests, such as the Education Quality Measurement System (*Sistema de Medición de la Calidad de la Educación*, SIMCE) have not shown a significant improvement and learning gaps remain among children who belong to different socioeconomic groups and attend different types of schools (Ministerio de Educación, 2010c). Furthermore, inequalities in the access to pre-school education remain despite the actions implemented on this area. These are challenges that demands greater fiscal and institutional efforts (Tokman, 2010).

²² A more thorough description of programmes and initiatives may be found in Brunner (2008) and Cox (2003), among others.

²³ JEC increased State subsidies to member schools by 30%.

Finally, these are the main pillars of the 2011 reform: (1) improving school directors' management; (2) providing teachers' incentives to improve the quality of education and implementing a new career evaluation system; and (3) raising the financing of the education system. The SEP has been increased and a new system recognising the best performing education institutions has been set in place. Nevertheless, citizens' demands on achieving equality through education became critical during 2011 and it is likely that many reforms will be implemented in the coming months and years.

B. Social spending on education and financing of the sector

According to 2008 data, the main sources of funding for the education system were State transfers made to public and State subsidised institutions, which accounted for 88% of the available funding for these institutions. A second source of funding is the copayment made by citizens, currently available in two schools types, that accounts for 8% of the financing of these institutions. The contributions made by the municipalities account for only 4%. Between 2006 and 2009, State subventions increased by 26% and the copayment by 21% (Romaguera and Gallegos, 2010). According to Romaguera and Gallegos (*ibid*) such a structure of funding is highly regressive.

Between 1990 and 2008, public spending on education has increased from 2.7% to 3.6% of GDP. These figures are, however, below the average level of spending on education in Latin America (ECLAC, 2010b). As a percentage of total public spending, spending on education has increased from 11% in 1990 to 18.8% in 2008 (Ministerio de Educación, 2008). When analyzing the redistributive impact of social spending on education, it is possible to conclude that it is progressive in all levels, except for tertiary education.

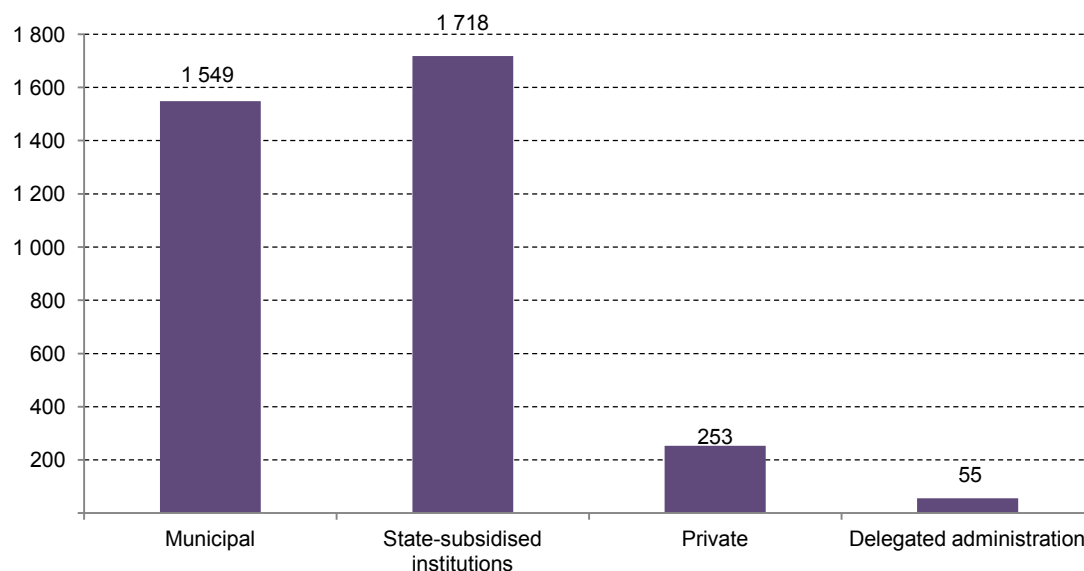
C. Coverage of the education system

In 2008, 3,574,419 persons were enrolled in primary and secondary education, most of them in State subsidised institutions (see figure 11).²⁴ During the 2004-2008 period, the net enrolment rate for primary education remained around 94%, while in secondary education it increased from 75% to 81% (Ministerio de Educación, 2008). Pre-school enrolment rate increased considerably, from 15.9% in 1990 to 37.4% in 2009.

Within primary and secondary education, there are almost no differences in enrolment rates by income quintiles. However, these become evident in the case of pre-school and tertiary education (see figure 12). Furthermore, the education system remains highly stratified, with pupils belonging to the different income quintiles attending different types of schools. As figure 13 indicates, the poorest two quintiles in the case of primary education, and the poorest three quintiles in the case of secondary education, are primarily enrolled in public institutions. The next two quintiles in the case of primary education, and the next three, in the case of secondary education, are enrolled in State subsidised institutions. Finally, in the case of the richest income quintile, students are mainly enrolled in private institutions both for primary and secondary education.

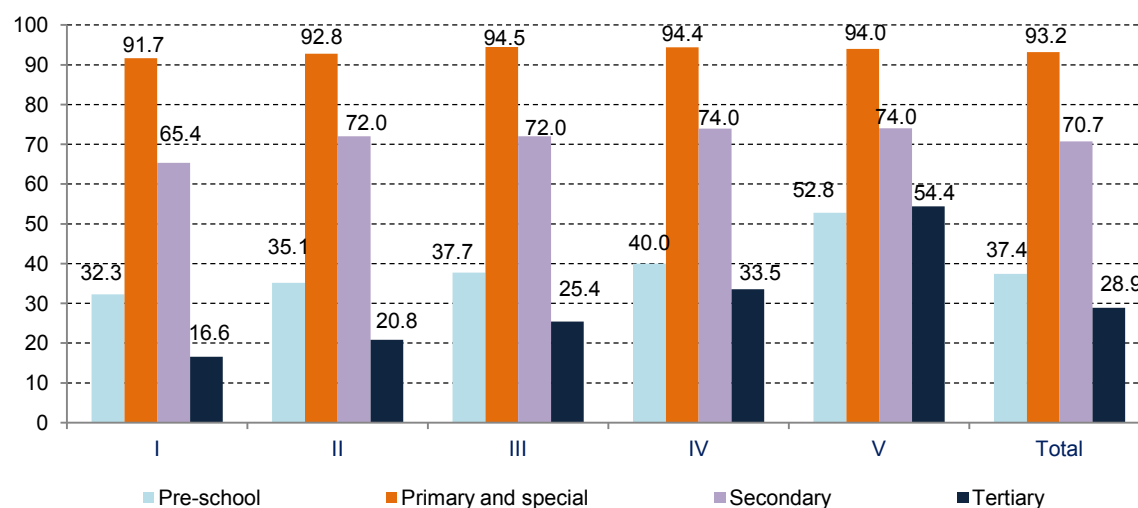
²⁴ See [online] <http://w3app.mineduc.cl/DedPublico/estadisticas>.

FIGURE 11
ENROLMENT BY TYPE OF SCHOOL, 2008
(Number of persons)



Source: Statistics and Indicators of the Department of Studies, Ministry of Education, MINEDUC Statistics [online] http://w3app.mineduc.cl/DedPublico/educacion_en_cifras, 2011.

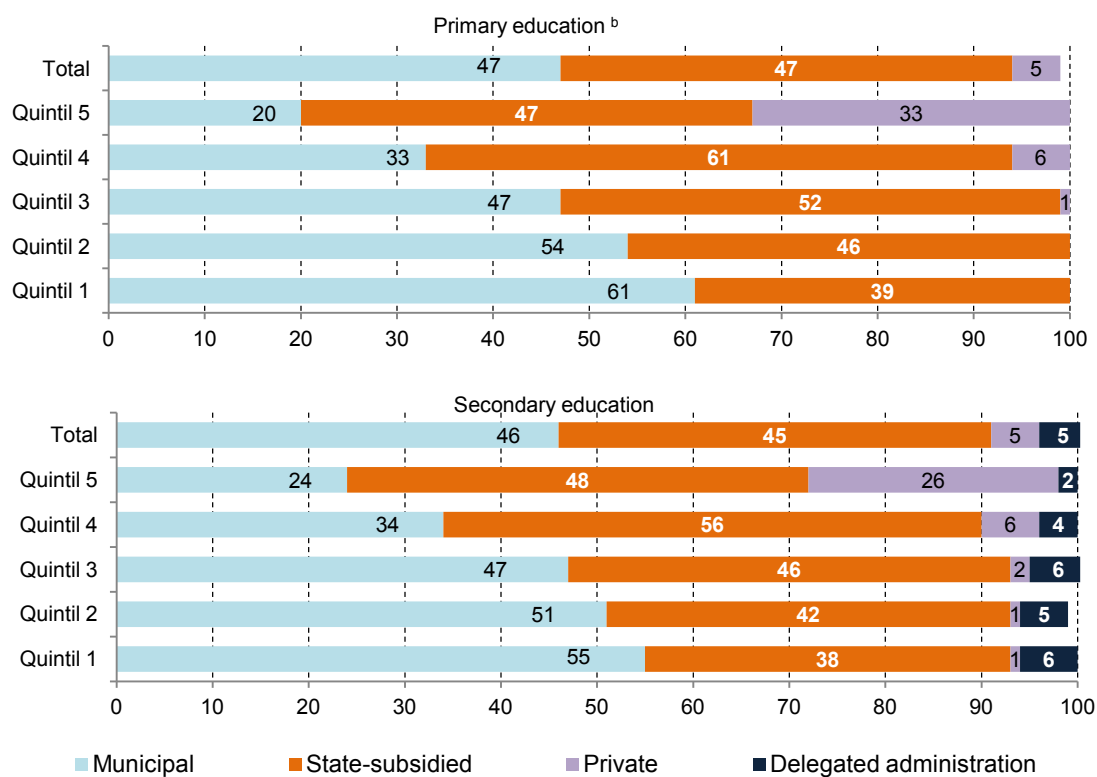
FIGURE 12
NET ENROLMENT RATES BY INCOME QUINTILES^a
AND LEVEL OF EDUCATION, 2009
(Percentages)



Source: Own elaboration on the basis of the data from the 2009 CASEN Survey.

^a Does not consider the income distribution after public transfers and subsidies.

FIGURE 13
DISTRIBUTION OF THE ENROLMENT RATE IN PRIMARY
AND SECONDARY EDUCATION, 2009^a
(Percentages)



Source: Own elaboration on the basis of the data from the 2009 CASEN Survey.

^a Cases with no information have been excluded.

^b Delegated administration has not been included, as its coverage is near to 0.

VIII. Housing policies

Housing policies in Chile are led by the MINVU. They comprise programmes and subsidies for the most vulnerable population and middle-income groups, plus programmes aimed to improve urban infrastructure.

During the 1990s, the housing policy was focused on solving the dwellings' deficit, particularly among the poorest and most vulnerable population. Policies thus aimed to achieve a progressive spending on housing through better targeting. They also sought to raise the quality of social housing programmes, while keeping community networks. Over 96,000 houses were built during that decade with the support of the State (DITEC, 2004).

Housing programmes usually required an application process on the part of the beneficiaries and a particular level of saving that was supplemented by the contributions made by the State. Social housing programmes for the poorest groups were directly managed by the State through the Housing and Urban Infrastructure Service (*Servicio de Vivienda y Urbanismo*, SERVIU). In the case of the population with higher saving capacity, a voucher system was implemented to buy houses in the market.

Over the next period (2000-2010), the focus was kept in reducing the housing deficit and improving social inclusion and quality of life in urban areas (ibid). Social housing programmes also included actions to improve collective areas and manage property titles. The *Chile Barrio* programme (1997-2010) sought to contribute to the eradication of slums, improving neighbourhoods, strengthening social capital and promoting employability. Between 1997 and 2005, the programme delivered 93,560 housing units to 90% of the initially registered population (DIPRES, 2007).²⁵ The financing of the programme increased four times between 1998 and 2005 (ibid).

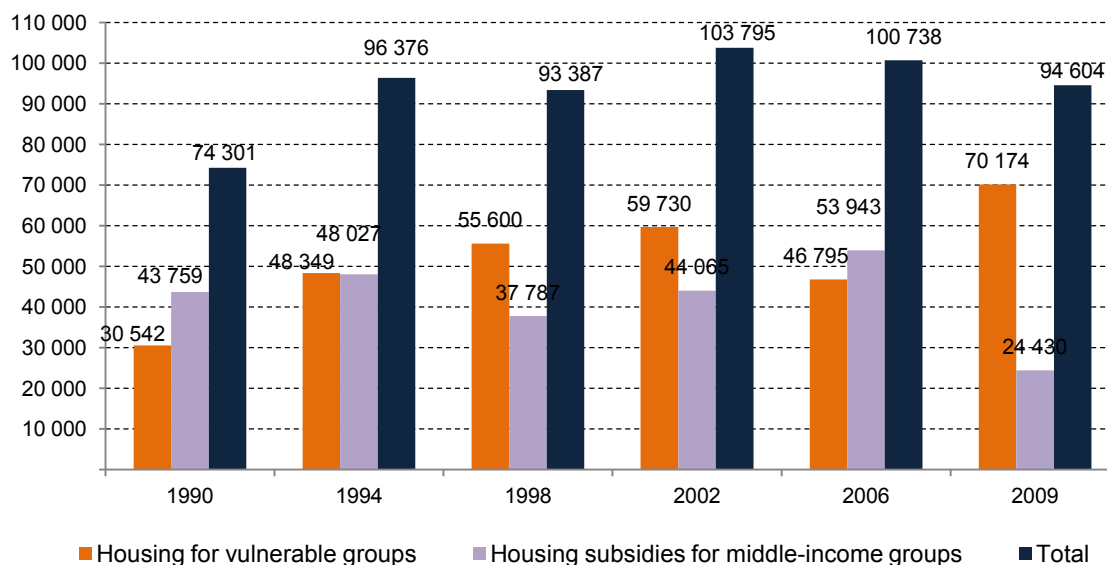
In 2006, a new housing policy was implemented. On the one hand, this policy sought to improve the design and building standards of social housing programmes, intensifying the available offer for people living in poverty, selected through the Social Protection Record. It also incorporated complementary subsidies to finance the acquisition of land plots as well as general equipment. Thus, it implemented a more comprehensive approach to housing issues. On the other hand, this policy introduced subsidies for middle-income groups to acquire dwellings in prioritised development neighbourhoods and patrimony sites.

²⁵ In 1996, it was estimated that 500,000 persons lived in slums, equivalent to 4% of the population.

A. Coverage of the housing policies

The number of housing subsidies has almost tripled during the past two decades, increasing from 74,301 in 1990 to 219,358 in 2009. 48% of these subsidies are focused on the population living in poverty and vulnerability and 37% on middle-income groups (see figure 14).

FIGURE 14
SUBSIDIES GRANTED TO VULNERABLE AND
MIDDLE-INCOME GROUPS, 1990-2009
(Number of subsidies)



Source: Own elaboration on the basis of data from Ministry of Housing and Urban Planning (MINVU).

However, according to various studies, the country still experiences a housing deficit. This includes situations in which more than 2.5 persons share the same room or inhabit irrecoverable dwellings (MINVU, 2009). This deficit affects primarily the population in the two poorest income quintiles: 23% of the population in the first quintile and 21% of the second have a housing deficit. According to data from the 2009 CASEN Survey, which does not consider the demand created after the 2010 earthquake, there are 420,587 demands for new homes.

Furthermore, urban segregation among the poorest households remains a very relevant problem in the country (Brain, Cubillos and Sabatini, 2007). There are still 537 urban slums where 28,578 families live (Un techo para Chile, 2011). The majority of these slums were created between 1990 and 2006, reflecting the unresolved housing demand.

As part of the measures implemented after the 2010 earthquake that left 8.8% of the national population with a home destroyed, a special plan was implemented with a cost of US\$2,620 millions to build 220,000 new houses. Since April 2010, 120,000 subsidies have been granted (MINVU, 2011). It is estimated that 370,000 families suffered serious damages to their homes due to the earthquake.

IX. Policies to promote employment

The country faces many challenges in terms of employment issues. Among these, the employment of poor and vulnerable groups has become salient. Furthermore, young people and women have higher unemployment rates than the average population. Thus, in 2006, unemployment rates among young people almost doubled the total unemployment rate. Furthermore, according to ECLAC data for 2009, 36.5% of women in urban areas are informal workers, compared to 25.6% of men.

Consequently, a series of social policies have been implemented to promote employment, focusing in the first place on expanding the employment abilities of women and young people. By the end of the 1990s, policies to increase employment among vulnerable groups were also implemented, along with policies aimed to promote the access of all workers to incremental levels of social protection. These policies have included training schemes, direct and indirect employment generation and the promotion of micro-entrepreneurship.

Most of these programmes are managed by the MINTRAB, although they are usually implemented by external expert technical teams —such as technical training institutions (*Organismos Técnicos de Capacitación*, OTEC). Also, there are programmes co-implemented by the Ministry and other State institutions, such as the Solidarity and Social Investment Fund (FOSIS) of the Ministry of Social Development and the National Women Service (*Servicio Nacional de la Mujer*, SERNAM), among others.

An important role in policies for training and labour-intermediation is accomplished by the Municipal labour-market intermediation offices (OMILs). These offices gather information on opportunities within the local labour market, creating networks between employers and potential employees and providing technical and permanent assistance to persons seeking employment. According to data for 2007, there are 291,004 persons registered at municipal OMILs. 33% among them succeed in finding employment (Sepúlveda, 2009).

Beyond these programmes, the unemployment insurance was created in 2002, and it was later improved by the Law 20,328 of 2009. This insurance does not consider members of the armed forces, public workers, independent workers, or pensioners (Superintendencia de Pensiones, 2011). This is a contributive insurance that works through individual accounts where both employers and employees make monthly deposits —only the employers, in the case of fixed-term contracts— equivalent to 3% of the wages. In the occurrence of unemployment, the insurance is supplemented by a solidarity fund, which is available for workers who have made at least 12 contributions during the last 24 months, three of which must have been continuous and with the same employer. The insurance also offers programmes on health, labour-intermediation and training for the unemployed, and maintains family allowances.

Finally, it is worth noting that during the most recent international financial crisis, a special plan was set in place in order to protect employment. This was called the National agreement for employment, training and labour social protection (*Acuerdo nacional por el empleo, la capacitación y la protección social laboral*) (Gobierno de Chile, 2009). The plan sought to protect 125,000 workers through six measures implemented for 12 months, beginning in April 2009. These measures included various incentives for companies to retain and train their employees and support entrepreneurship among vulnerable women, among others.

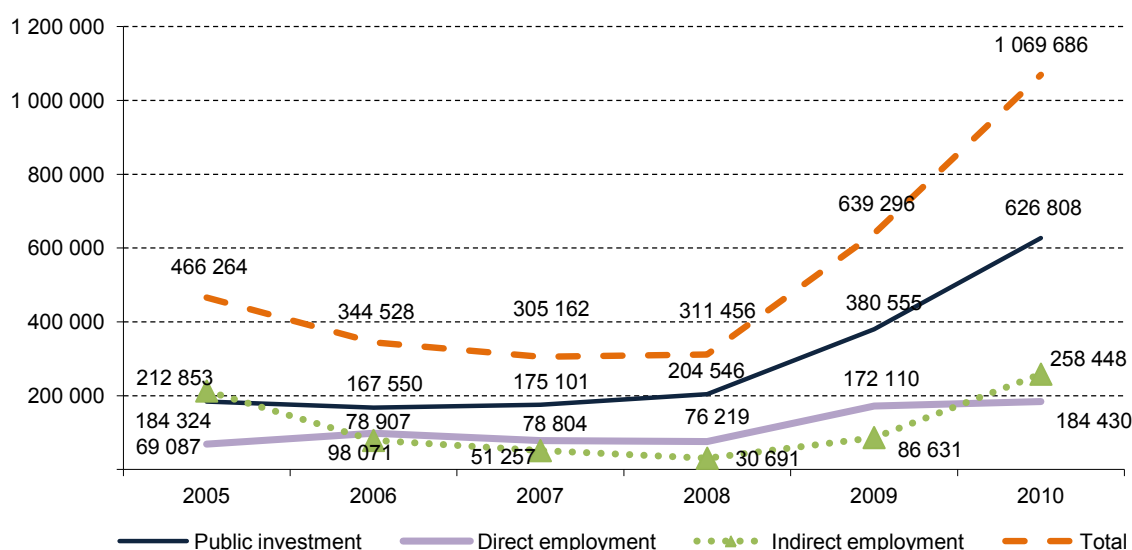
Since 2010, a hiring allowance (*bonificación a la contratación*) has been implemented, providing State financing equivalent to up to 40% of a minimum income of hired new workers or workers undergoing training. Despite these efforts, many challenges remain for the employment sector and policies in Chile. Among these, issues of inequality of access to employment opportunities and the quality of employment are salient. Furthermore, incomes from work received by the poorest workers are significantly lower than those received by higher-income groups. Decent work, the strengthening of trade —unions and labour— mediation programmes are among the issues that need to be confronted in future years (Reinecke and Valenzuela, 2008; Velásquez, 2009).

A. Financing and coverage of employment policies

Financing of employment policies is currently defined by the national budget law. In the case of the unemployment insurance, beyond the contributions made by the employers and employees, the State grants a monthly allowance, which in June 2009 was equivalent to US\$17 million (Superintendencia de Pensiones, 2009b).

The coverage of employment programmes in Chile has varied over the years, depending on the economic cycles. In 2009, for example, the coverage of these programmes almost doubled, and in 2010 it almost tripled the 2008 level, as a result of the implementation of measures to prevent the negative impacts of the international financial crisis. In 2010, employment programmes covered 6% of the national population (see figure 15).

FIGURE 15
COVERAGE OF EMPLOYMENT PROGRAMMES WITH FISCAL CONTRIBUTION, 2005-2010
(Number of persons)



Source: Direction of Budget (DIPRES), “Fondo de estabilización de precios de combustibles derivados de petróleo”, Santiago, Chile, Ministry of Public Finance, 2010).

The unemployment insurance has increased considerably its coverage since 2002, when it became mandatory for formal workers. Hence, it has experienced an annual growth rate of 28% between 2003 and 2009 (Superintendencia de Pensiones, 2009b). In April 2011, there were 6,965,284 affiliated workers, although only 3,623,951 made regular contributions. Most among the latter (63.4%) had a permanent contract and 63.9% were men, showing persistent gender gaps in accessing formal employment.²⁶ Also, these figures indicate that there will be an important proportion of workers that may be unprotected due to insufficient contributions to access the insurance at times of unemployment.

²⁶ According to data from the Pensions Supervisor [online] <http://www.spensiones.cl/safpstats/stats/>.

X. Final remarks

During the past two decades, social protection and promotion policies have become consolidated in Chile. Government and legal institutions have been created and fiscal reforms have been passed in order to provide sustainability to the social protection system. Also, intersectoral articulation has been furthered, designing an integral intervention approach to multidimensional needs for protection among the population.

The system has been geared as a means to enhance citizenship-building and realise social rights. Hence, the fulfilment of citizen's guarantees has been explicitly sought through poverty-reduction policies and the health and pension reform.

The Chilean social protection system is innovative in various respects. Non-contributive policies have been expanded, introducing differentiated instruments for specific social needs. For the population living in most acute poverty and vulnerability, programmes such as Solidarity Chile or the Social Allowance have strengthened their access to the social protection and promotion network, as well as to income transfers. On the other hand, ad-hoc mechanisms such as employment subsidies and transfers implemented during the recent international financial crisis have bore witness of the increasing flexibility of the Chilean State to adapt social protection instruments to contingencies, broadening the scope of vulnerability beyond the extreme poverty line.

Similarly, a more comprehensive approach to universal social protection has been installed. Thus, for example, the pension and the health reform sought to overcome the rigid boundaries and limitations that existed between contributive and non-contributive policies and institutions. Instead, these instruments have aimed to provide social protection for all, according to the diverse possibilities to contribute to the social security system and the particular needs for financial state assistance. These reforms have substantially contributed to develop a minimum social protection floor.

In parallel, social promotion policies have also been given a boost to enlarge the capabilities and opportunities of all citizens. Initiatives such as the implementation of the “Chile Grows With You” system or the expansion of the coverage of health and education sectors, are indicative of this intention.

Despite this progress, there are many challenges ahead for the future of social protection and promotion. In the first place, poverty and extreme poverty have shown to be persistent within Chilean society. For example, according to impact evaluations, the programmes offered by the *Puente* Programme and Solidarity Chile have improved the beneficiaries' access to the network of public services. However, there is no conclusive evidence that they have increased their incomes through

means other than subsidies and transfers (Larrañaga and Contreras, 2010).²⁷ This is an indication of the limitations to overcome sustainably poverty and vulnerability through this kind of interventions.

In particular, greater efforts are missing to further develop the employment skills and key abilities among the poorest and most vulnerable population. Also, other policies, such as labour intermediation programmes and direct and indirect employment could improve the context of vulnerability affecting a larger part of the population and not only that living in extreme poverty.

In the third place, it is necessary to drive forward a national debate on the minimum levels of income and welfare for Chilean citizens. Up to now, cash transfers have been set at a level always inferior to the extreme poverty line, with the sole exception of the basic solidarity pension for the elders. Other groups of society, such as children and the youth are still underrepresented within these efforts and policies.

In the fourth place, enduring inequality traps remain in the quality and opportunity of the access to health and education services in Chile. Inequality in assets accumulation is also linked to inequality to overcome risks and to a greater probability to fall in poverty under particular contingencies. For example, panel data has shown that three of ten Chileans were poor between 1996 and 2006 (OSUAH, 2007), indicating a more dynamic context to be dealt with by social policy.

Hence, it is crucial to improve the capacity to provide effective responses before emergencies that may lead an important part of the population to a situation of high vulnerability or poverty, as shown by the February 2010 earthquake.²⁸ Finally, inequality must be place at the centre of future actions if poverty-eradication and the realisation of citizenship are the ambitioned goals.

²⁷ According to the *Puente* programme, 75% of the beneficiaries overcome extreme poverty after two years in the programme (Larrañaga and Contreras, 2010).

²⁸ It is estimated that between 2009 and 2010, 10.5% of the population became poor and 7.4% exited poverty. Thus, net poverty increased by 3% (MIDEPLAN, 2011c).

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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.



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